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C O N F I D E N T I A L SECTION 01 OF 02 JEDDAH 000407

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SUBJECT: JEDDAH JOURNAL 13: NEW DIRECTOR FOR SAUDIA;
POLLUTION AND DISEASE THREATS IN JEDDAH; NEW WOMEN'S CENTER
DIRECTOR; PRIVATIZATION, IPO'S, AND CITIBANK IN SAUDI

REF: A. JEDDAH 386
[1](#)B. JEDDAH 269

Classified By: Acting Consul General Hector Morales, for
reasons 1.4 (b) and (d).

NEW DIRECTOR FOR SAUDIA

[1](#)1. (U) On the morning of June 7, Saudi media carried a report that by Royal Decree Khaled Abdullah Al-Mulhim, who was Chief Executive Officer of Saudi Telecom Company until February, has been named the new Director General of Saudi Arabian Airlines (Saudia). Mulhim has an engineering degree from Indiana University. The royal message says Khaled Abdullah Ben Bakr, who has been the Director General of Saudia for the last four years, was relieved of his duties at his own request. Nevertheless, the media speculates that this move is part of the recent decision (reftel A) by the Saudi government to accelerate the schedule to privatize Saudia. During Mulhim's term at Saudi Telecom, he presided over the partial privatization of that concern to favorable reviews. Press reports also document a serious decline in morale among Saudia employees as rumors concerning privatization-related personnel cut-backs spread.

RENOVATIONS AT KAA AIRPORT TO BEGIN SOON

[1](#)2. (U) In May the Saudi Civil Aviation Authority announced that a new phase in the renovations and expansion of King Abdul Aziz International Airport would begin within 60 days. When completed, the plan is expected to increase the passenger capacity of the two terminals at the airport by 50%.

JEDDAH SEWAGE POLLUTES RED SEA

[1](#)3. (U) Last week the waters off the elegant Jeddah Corniche, site of many major international hotels and expensive shops and restaurants, as well as a number of palaces occupied by Saudi royalty, were fouled by a several kilometer-long plume of sewage spewing untreated from Jeddah's decrepit sewage system (reftel B). The effluent was clearly visible from the luxury hotels lining the lagoon. In the scorching heat of Jeddah, other evidence of the proximity of the effluent was readily apparent to the noses of people at some distance from the polluted shore.

INTERIM SOLUTION TO THREAT OF COLLAPSING LAKE OF
SEWAGE--ANOTHER LAKE OF SEWAGE

14. (U) Jeddah authorities have been aware of the deficiencies of the Jeddah waste-water treatment system and are engaged in a multi-billion Saudi Riyal (SR) plan to replace the system (reftel B). The most threatening component of this system is a large lake or reservoir of untreated sewage located about 20 km north of the city. This sewage lagoon is delicately known among the municipal authorities as the "perfume" lake, and less delicately know by the general population as the "musk" lake. This "facility," if the term can be applied to such a structure, receives approximately 8,000 truckloads of raw sewage every day. There has been growing concern in recent years as the burden on the lake has increased along with Jeddah's population and as engineering studies raise questions about the stability of the structure holding back the waste water. It is now feared that the dam could be over-topped and collapse and flood large portions of Jeddah. The authorities recently announced their short-term solution--another lake of sewage.

SOLUTION WILL RAISE ITS OWN PROBLEMS--A GREATER POTENTIAL FOR
DISEASE

15. (U) In order to reduce the pressure on the musk lake until the new sewage system is completed in five years, the authorities have decided to construct a new lake 12 km north of the current one. Under the interim plan, the new lagoon will be connected to the current one by a pipeline. This pipeline will first transfer the waste water to a desalination plant. After desalination, according to

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officials, the water will be clean and used as non-potable water, for irrigating parks in Jeddah and possibly in a Safari Park to be constructed in the vicinity. However, health specialists have voiced the concern that the solution to one problem will contribute to the worsening of another--Dengue Fever. Health researchers pointed out that the relatively clean water contained in the second lake is exactly the type of medium in which the mosquito species that carries Dengue Fever thrives. Consequently, the already serious Dengue Fever problem in Jeddah could be intensified.

NEW DIRECTOR OF WOMEN'S CENTER. OLD DIRECTOR TO BE TAPPED
FOR GOVERNMENT POSITION?

16. (U) Consulate Jeddah Political Assistant was informed by contacts that as of May 27, Dr. Basma Omair had been named the General Manager of the Khadija Bint Khaolied Center for Women at the Jeddah Chamber of Commerce and Industry. Dr. Omair is a member of the socio/economic circle of the Mecca Emara and of the Young Arab Leaders. She obtained her Ph.D in Educational Technology in 2004 from a university in the United States. The former director, Dr. Nadia Ba'ashen is rumored to be under consideration for a high-ranking position with the Saudi government.

PRIVATIZATION AND IPO'S CONTINUE DESPITE UNSETTLED STOCK
MARKET

17. (U) Despite the fluctuations in the Saudi stock market the government continues to pursue privatization and private companies announce initial public offerings (IPO's). On June 7, Saudi papers carried the following notices: The government-owned Saline Water Conversion Corporation (SWCC), which operates 30 or more desalination plants on the Red Sea and Gulf, will be privatized by the end of the year. Since November 2005, the Saudi government has also announced a number of public-private agreements with Saudi and international consortia to construct new desalination plants. The day's papers also contained an announcement that Inmaa Bank, whose foundation was approved by Royal Decree as recently as March 28 of this year, would sell 70% of its

equity in an IPO in the 4th quarter of this year. Three Saudi government entities, the Public Investment Fund, the Pension Fund and the General Organization for Social Insurance will each retain a 10% share in the institution. Comments accompanying the announcement indicate that the King decided on privatization in order to give the investing public more stock choices.

HOW WILL CITIBANK'S RETURN BE MET?

18. (C) Recently, Citibank announced that it was considering returning to Saudi Arabia. In a conversation with Pol/Econ Chief, an official of SAMBA, the former Saudi American Bank, in which Citibank was a major partner, questioned how well they would be received. In the wake of the rising terrorist threat in Saudi Arabia, Citibank divested itself of its SAMBA holdings under conditions which were injurious to SAMBA. The official says that it took SAMBA several years to recover its stability and a great deal of bitterness remains among Saudis associated with the financial sector at Citibank's precipitant withdrawal and, some say, disrespectful treatment of Saudis.

Morales